

Blue Cross seeking 12 percent increase in CHIP premium

By MIKE DENNISON - IR State Bureau - 9/16/05

HELENA — The state's largest health insurer is proposing a 12 percent increase in its premiums to run the publicly funded program that covers 11,500 Montana children from low-income families.

State officials, however, said Thursday the proposal from Blue Cross and Blue Shield of Montana for the Children's Health Insurance Program is too high, and that they'll be presenting a counter-offer next week.

"We're going to have an alternative proposal that will be lower than the 12 percent," said Mary Dalton, head of the Quality Assurance Division for the state Department of Public Health and Human Services.

Blue Cross officials also said while they proposed the 12 percent increase in premiums Thursday, negotiations are still under way, and that the number could change.

State and Blue Cross negotiators plan to meet next week, possibly to arrange the final contract. Blue Cross has managed the program, known as CHIP, since 1999, and is negotiating a new annual contract that begins Oct. 1.

The 2005 Legislature increased funding for CHIP this year, presumably enough to cover another 3,000 children under the program. Higher premiums could affect the number of children added to the program.

Blue Cross runs CHIP like an insurance product, charging the state a monthly "premium" for each child on the program, paying claims, and assuming the risk.

CHIP offers medical insurance for children from families whose income is at or below 150 percent of the federal poverty level, or about \$24,000 a year for a family of three.

It's meant to offer health insurance to children of the "working poor," and is open to kids who are not eligible for any other publicly funded insurance program, such as Medicaid.

The state pays for about one-fifth of the costs and the federal government covers the rest.

The program has been insuring about 11,000 kids in recent years, but funding approved by the Legislature this year is supposed to pay for coverage of 14,000 children. The state has added about 600 kids since July 1, pushing the total to 11,500.

Blue Cross wants to increase the monthly premium from \$118 per child to \$132 per child.

The state also is negotiating with Blue Cross on how much administrative overhead the company can charge.

The Legislature passed a separate bill that limits overhead and taxes on the CHIP contract to 12 percent.

Tanya Ask, vice president of government affairs for Blue Cross, said the company is proposing an administrative cost right at 12 percent, which is less than it charged for the current contract.

However, John Chappuis, deputy director of the Department of Public Health and Human Services, said the state may be asking for a lower amount here, as well.

He said the state recognizes that Blue Cross has fixed costs in processing claims. But with premiums increasing and the number of kids on the program increasing, the state may argue that the administrative fees should be lower, he said.

"The overall cost we're paying in administrative costs (will) be significantly higher," he said. "You guys live in the percentage world; I live in the dollars world."